434 thousand baht to more than ten thousand baht which
454 is a real drain on the village cash supply.
796

These huge expenses are, however, partially compensated by such items as loans sought from outside or sale of lands and other assets. It cannot be [426] expected, however, that these items would provide enough supply of cash to bring down the rate of interest in the village.

4. Role of paddy

243 Paddy is extensively used in the village as a
436 medium of exchange. It is used in both small transactions of a few baht and large transactions of several thousand baht. Thus paddy stock may almost be considered as equivalent of a bank balance.

243 The most important consumption uses of paddy
433 are as seeds and for human consumption. In order to
436 make it really comparable to a bank balance, allowance
454 must be made for the amount necessary for seeds and human consumption although the amount for chicken feed may be dispensed with because the farmer may choose to drop his poultry enterprise. On this basis, we have
128 arbitrarily coined a term "index of capital formation
243 potential with present levels of living" to represent
433 the amount of paddy in tang which is left at the oper-
436 ator's disposal at the end of March after allowance
454 for seeds and family consumption has been made. No allowance is made for special consumption expenses such

7: Janlekha X-4,5 (1948-1953)p956 AO7 Central Thai AO7
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as sponsoring of ordination and other rituals. Algebraically, the formula for the index of capital formation potential may be expressed as follows:

$$I = P - (R \times 1\ 1/2) - (C \times 30)$$

where,

I is index of capital formation potential
P is paddy stock at the end of the first phase of sale (about March 31)
R is area in rai devoted to rice
C is the family size expressed in consuming units, whereby adults age 15 years and over are considered to be one consuming unit each and children age 14 years and under are considered to be one-half unit each.

The formula is constructed under the following assumptions:

1. Creditors and landlords demand settlement of debts and rentals immediately after harvest.
2. Farmers prefer to keep paddy rather than cash.
3. Before the end of March, affluent farmers sell only a certain part of their crops which would bring just enough cash to last until the next sale in July or after.
4. Amount of seeds necessary to plant one rai of rice is 1 1/2 tang.
5. Paddy consumption is 38.3 tang annually per consuming unit (Table). The surplus held on March 31 must last for 9 1/2 months before the next harvest can be used. Consumption during these 9 1/2 months is calculated at 30 tang per concuming unit.

7: Janlekha X-4,5 (1948-1953)1956 AO7 Central Thai AO7
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Table 65 shows the frequency distribution of index of capital formation potential of 96 sample-operators as of March 31, 1953.

It is seen that the median index of capital formation potential is 65 tang. The abnormally high indices of two operators, one over 1,000 tang and the other over 2,000 tang, have pushed the mean index up to 145 tang. It is seen also that there are 34 operators whose indices of capital formation potential are negative. Since there 34 operators constitute more than one-third of the sample, the situation may be said to be rather disheartening. This means that a good proportion of farm operators do not produce enough paddy even for their own consumption after having to pay for debts, rentals, and other immediate requirements.

In the opinion of the author, index of capital formation potential in the sense that is here used is a very useful device for a quick survey of economic condition of most rice growing areas of Thailand where the single-crop system is practiced and where there is relatively little secondary income.

43 been observed that arrangement is often made to pass the excess cash on to other people -- usually borrowers or sellers of land or capital goods.

It is seen, then, that only a part of cash payment for surplus paddy sold by Bangchan operators is brought into the village, and that the amount brought in would not stay long in the village either.

It is also seen that this dread of cash together with the normally low net cash return from rice because of relatively high cost of production have tended to keep the money supply in the village at the midmum level even during the harvesting season.

426 To offset the low money supply, credit is extensively used in the village, especially after July until December when cash received from the sale of paddy has been all used [436] up and the sale of the new crop has not started. Paddy is also used as medium of exchange.

It has been shown that debt is widespread in Bangchan, and that the modal interest rate was 24 per cent per year for loans and 50 per cent per year for credit purchase accounts. No matter how extensively credit is employed, these high rates of interest indicate that there is still a scarcity of credit itself and of credit facilities in the village.

Scarcity of credit is indicated not only by high apparent rates of interest but also by discounts and premiums of various forms. Some of these are: (a) Tog khao wherein

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APPENDIX A

TERMS USED IN THIS STUDY

Measurement

1. Rough rice or paddy: Grains of rice after they have been threshed but before they have been milled.
2. Milled rice or clean rice: Grains of rice after they have been milled.
3. One rai equals two-fifths of an acre.
4. One tang equals twenty litres. It is the standard measurement for both paddy and rice. The weight of one tang of paddy varies from one locality to another. On the average, Bangchan paddy weighs about eleven kilograms per tang. The weight of one tang of milled rice does not vary significantly from place to place, the average being sixteen kilograms.
5. One baht (weight for gold and silver) equals fifteen grams.

Currency

The basic monetary unit is the baht. During the period of the study, Thailand maintained a so-called open market exchange rate which served largely as the going and legal rate for all commercial transactions other than exported rice and a few specified items of export and import. At the time of the study, this open market rate was about 20.25 baht to one U. S. dollar.

The official rate of exchange during the early post-war period was 10 baht to one U.S. dollar. Following the

436 devaluation of the pound sterling in September, 1949, this official rate was changed to 12.50 baht to one U. S. dollar.

Geographical Administrative Units

The area of Thailand is divided into 71 changwad, which we shall translate as "provinces". Each of these is under an official whose title we shall translate as "commissioner". In each province are a varying number of amphur, or districts, each under a Nai Amphur, or "district officer". In each district are many tambol, or "communes", each under a kamnan, or "commune chief". In each commune are many mu-ban, or "hamlets", each under a puyai-ban, or "headman". The hamlet is the lowest administrative unit.